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IN THE

Supreme Court of The United States

October Term, A. D. 1942

No. 973 54
No. 974 55

THE MERCOID CORPORATION,
Petitioner,

vs.

MID-CONTINENT INVESTMENT COMPANY and MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,
Respondents.

BRIEF OF MINNEAPOLIS-HONEYWELL REGULATOR COMPANY OPPOSING PETITION FOR WRIT OF CERTIORARI.

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To the Honorable, the Chief Justice and Associated Justices of the Supreme Court of the United States:

Minneapolis-Honeywell Regulator Company, Respondent, hereinafter called "Honeywell," respectfully submits this brief in opposition to the Petition for Writ of Certiorari.*

The Petition sets forth no grounds which justify Certiorari.

* The decision of the Court of Appeals below is reported in 133 F. 2d 803 and is in the Record p. 909.

This Court has indicated that it will review on such a Writ, only "where there are special and important reasons therefor" (Rule 38, paragraph 5).

The Petition purports to be brought under three of the grounds illustrated in paragraph 5, and also to present a "question of public importance." Petitioner asserts that the decision from which relief is sought—

1. Conflicts with decisions of other Circuit Courts of Appeal, in finding Mercoid a contributory infringer, p. 4 (1) bottom.*

2. Has decided a Federal question in a way probably in conflict with applicable decisions of this Court, in holding that the conduct of respondents, did not constitute such improper use of the patent as to bar Mid-Continent's right to sue for infringement, p. 5 (2).

3. Has decided an important question of Federal law, which has not been, but should be, settled by this Court, in holding that the conduct of respondents did not violate the Anti-Trust laws, p. 5 (3).

4. Involves a "*Question of public importance*. Is the Cross patent invalid as lacking invention?", p. 6 (4).

The record shows no "conflict of decision," no unsettled "important question of Federal law," and no "question of public importance" involved here.

None of the cases relied on by Mercoid dealt with the same patent, or the same parties, or the same facts as those before the Court of Appeals below.

What Mercoid here seeks to do is to bring the present case within the rule of earlier cases, such as the *Carbice* and *Leitch* cases below, by arguing that the facts here are analogous to those in the cited cases.

But the Court below expressly distinguished the facts here from those in the *Carbice*, *Leitch* and "kindred cases."

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* References herein are to Petitioner's brief and argument unless it otherwise appears.

So what Mercoid actually seeks here is a review by this Court of the facts as determined below.

There is ample support in the record for the findings of fact as made below.

Under such circumstances no ground for Certiorari exists.

FIRST QUESTION.

(Contributory Infringement.)

(Conflict of Decisions.)

Mercoid's contention is that the Court of Appeals below held that the sale of an

> "unpatented combustion stoker switch * * * especially adapted for use in practicing the patented system"

was a contributory infringement (p. 9), and that such holding is contrary to decisions of the Appeal Courts in the First and Second Circuits (p. 4-(1), bottom), and does not follow "this Court's recent decisions" (p. 9).

Honeywell was made an involuntary plaintiff at the instance of Mercoid (R. 26),* but did not join in Mid-Continent's suit for infringement nor ask any relief (R. 32 and 60). Therefore, there was never any issue between Mercoid and Honeywell on contributory infringement.

The District Court, however, joined Honeywell with Mid-Continent in enjoining suits against "Mercoid's customers" for infringement (R. 912, bottom). In view of the foregoing, we note that the two cases relied on by Mercoid in asserting conflict of decisions, p. 5 top, do not support Mercoid.

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* R.—Record.

The First Circuit is in express agreement with the decision below.

B. B. Chemical Co. v. *Ellis*, 117 F. 2d 829, at 834 (C. C. A. 1).

> "However, the defendants manufacture and sell materials for use in an infringing operation with knowledge that they will be so used. They induce their customers to use such infringing processes and indirectly receive their profit from such infringing use. *There can be no doubt they are contributory infringers.*"[1]

When that case reached this Court:

B. B. Chemical Co. v. *Ellis*, 314 U. S. 495, at 496,

this Court did not disagree with the Court of Appeals for the First Circuit, but said:

> "Both courts below sustained the validity of claim 4 and held it was infringed by respondents' selling to purchasers of petitioner's materials like material for use with the patented process. But both held that petitioner was debarred from enjoining the infringement because of the manner of conducting its business, * * *"

and affirmed the decision below.

In

The Philad Co. v. *Lechler*, 107 F. 2d 747,

the Second Circuit did not hold there was no contributory infringement. It held that under certain circumstances (differing from the facts as found here), *relief would not be granted* the plaintiff in its suit for infringement.

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[1] Emphasis herein ours, unless otherwise noted.

In its "Argument," p. 9, on this point Mercoid also asserts that the decision below did not follow this Court's recent decisions in

Carlice Corp. v. *American Patents Development Corp.*, 283 U. S. 27.

Leitch Mfg. Co. v. *Barber Co.*, 302 U. S. 458.

In both of these cases the Courts of Appeal (38 F. 2d, 62 at 67, and 89 F. 2d, 960 at 965), held that there was contributory infringement. This Court did not pass on that point in either case, but denied relief on the ground of improper use of the patent under the special facts, and expressly declared the cases were not ordinary cases of contributory infringement.

There is no conflict between the decision of the Court below and the decisions of other Circuits, nor between the decision below and the decisions of this Court, on what constitutes contributory infringement.

Hence the "FIRST QUESTION" presents no ground for ordering Certiorari.

SECOND QUESTION.

(Improper Use of the Patent Precludes Maintenance of Suit.)

(Decision of Federal Question in a Way Probably in Conflict with Applicable Decisions of This Court.)

Mercoid states that the Court of Appeals below erred in holding "respondents" (Mid-Continent and Honeywell) were not attempting to use the patent in suit to monopolize an article beyond the bounds of the patent (p. 20).

In its "Reasons for Granting the Writ" Mercoid asserts that the Court of Appeals thus "decided a Federal question in a way probably in conflict with applicable decisions

of this Court," and in conflict with decisions in the Second and Third Circuits. (p. 5; (2).)

Mercoid thus includes both Mid-Continent and Honeywell in its discussion of this ground.

Honeywell seeks no relief under the patent and is therefore not really involved in this issue except as conduct urged to be "improper use" may also violate the Anti-Trust laws.

The Court of Appeals said (R. 922):

> "The only issue between Mercoid and Honeywell is whether the latter by itself or in combination with others attempted to use the Cross patent and monopolize an article beyond the bounds of the patent, and thereby violated the anti-trust laws."

Therefore, to the extent that Honeywell should discuss "improper use," we do it under "THIRD QUESTION."

THIRD QUESTION.

(Violation of the Anti-Trust Laws.)

(Court of Appeals Has Decided an Important Question of Federal Law Which Has Not Been, but Should Be, Settled by This Court, p. 5 (3).)

Mercoid states the question thus:

> "It held that there is no such restraint of trade as violates the Anti-Trust laws when the owner of a patent forbids the purchase from competitors of an unpatented part necessary for the practice of the patented invention." (p. 5, (3).)

Honeywell replies:

First: The Court of Appeals did not find the facts as thus stated by Mercoid (R. 922, middle paragraph, and R. 920, third paragraph, and R. 921).

The Court of Appeals below held that the facts brought this case within the principle of the decision of this Court in

Leeds & Catlin v. *Victor*, 213 U. S. 325,

because the control sold by Honeywell and the accused control sold by Mercoid embodied the "advance over the prior art" of the Cross patent and the conduct of respondents in selling this essence of the invention was within their rights under the patent. Whether the respondents sold "an unpatented part necessary for the practice of the patented invention," or a part which marked the essence of the Cross invention, and embodied his "advance over the prior art," are two very different things. The Court below distinguished this case on its facts from

Carbice Corp. v. *American Patents Corp.*, 283 U. S. 27.
Leitch Mfg. Co. v. *Barber Co.*, 302 U. S. 458.
Morton Salt Co. v. *Suppiger*, 314 U. S. 488.
American Lecithin v. *Warfield*, 105 F. 2d. 207,

and "other kindred cases" (R. 922); and found that there was no violation of the Anti-Trust laws by Honeywell (R. 922), and no improper use of the patent by Mid-Continent (R. 920, bottom).

Mercoid does not deny there was evidence to support the Court's findings, nor does it assert error in the facts as found, nor does it even anywhere systematically set out the facts. It merely selects a part of the facts here and there, and argues that, based on that part only, another conclusion might have been reached.

The Facts.

A brief reference to the pertinent facts will show there was ample evidence to support the Court below.

The Cross patent claims relate to a combination of elements including

> "a separate thermostatic control actuated by predetermined minimum temperatures in said combustion space for preventing extinguishment of the fire when operating under low heat requirement conditions" (R. 785, claim 1).

The owner of the Cross patent has asserted throughout these proceedings that the thing Cross did, which was new and which constituted the *advance in the art*, was to provide this thermostatic control, subject to furnace temperature to start the stoker before the temperature got so low that the fire would go out, thereby furnishing fuel and preventing the fire from going out.

It has not at any time been asserted by Mercoid that this feature was ever known before Cross thought of it.

The Cross patent was held valid by the Court of Appeals in the Eighth Circuit in

Smith v. *Mid-Continent*, 106 F. 2d, 622,

and was held infringed by an installation using one of Mercoid's accused controls (R. 910). Mercoid conducted and paid for the defense (R. 913, bottom paragraph). In the trials below, Mercoid, in view of the decision on validity in the Eighth Circuit, conceded the validity of the Cross patent and now in this Court questions validity *for the first time* (R. 913).

There is no dispute that Mid-Continent gave an exclusive license with a right to license others to Honeywell under the Cross patent and that Honeywell granted one sub-license (now expired) and offered sub-licenses to others,

including Mercoid, and that such licenses were all alike so far as pertinent to the issue here.

Mercoid's complaint about the improper use of the Cross patent to "monopolize" "unpatented" controls can relate only to the one sold by Honeywell under its license and the accused controls sold by Mercoid indicated by the Court below to mark the advance over the prior art (R. 922). No claim is made of any attempt to monopolize anything else.

The controls sold by Honeywell and the accused controls sold by Mercoid are not "unpatented" in the sense used by Mercoid, or as used by the Courts in the cases relied upon by Mercoid. To the contrary, they are special controls embodying the Cross "advance over the prior art" and which, when used, always bring about one installation of the Cross invention.

Honeywell Control.

The Honeywell control is specifically defined in its license, R. 459, 2, as a

> "combustion stoker control unit, including an automatic electric switch * * *".

The Court of Appeals said of this definition (R. 921):

> "The switch referred to is specifically defined in the claims as an automatic electric switch, which is responsive to stack temperatures or boiler water, and *which is used in combination with other devices and apparatus to prevent extinguishment of the fire when operating under low heat requirement conditions.*" (The Court's emphasis.) "From this italicized language, which Mercoid does not emphasize in its argument, it is clear to us that Honeywell does not intend to pay, and Mid-Continent does not intend to receive royalties on any switch which is not used for fire maintenance purposes under the Cross patent."

"* * * This record discloses that Mid-Continent has never received royalty on anything other than complete installations coming within the scope of the Cross claims." (R. 921.)

Mercoid Accused Control.

Mercoid complains that the patent is being used to restrain its sale of the accused control. Mercoid constantly refers to its controls as "unpatented." They are, however, controls which embody the "advance over the prior art"—the essence of the Cross invention. We quote from the decision below (R. 917) underlining the parts nowhere mentioned by Mercoid in its statement of the facts to the Court here.

> "It is not here contended that Mercoid infringes the patent directly, for it does not sell or install furnaces. However, it does manufacture and sell the accused devices, or it has done so, *and for the purpose of promoting those sales it has advertised extensively the use of such devices in the Cross combination to accomplish the same purpose in the same manner, or its equivalent, as does Cross with his control. Included in those advertisements are detailed specifications and drawings to aid the purchaser in making the installation. While the Cross patent, as such, is not referred to in those advertisements, yet it is asserted by plaintiffs, without contradiction, that there is no use for the accused devices other than in the patented Cross combination. We are unable to conceive of any other such use.*"

Nor does Mercoid mention that the decision below expressly overruled the District Court's Conclusion 4 (R. 742) that the accused control M-61

> "was not built for the express purpose of providing purchasers with means to perform the Cross patented heating system * * *"

and held that such Conclusion was actually a "finding" of fact (R. 919, line 8) which

> "has no factual support." (R. 920, line 1.)

In the second paragraph, p. 15, Mercoid states that it sold thermostatic switches long before the filing of the Cross application—

> "one of which is adapted to be used in the patented heating system as the 'separate thermostatic control', or combustion stoker switch, to prevent the extinguishment of the fire."

Mercoid does not tell the Court that this *one* switch is not accused here, and that no attempt has ever been made to prevent its sale. The *accused* Mercoid devices were built subsequent to the Cross invention for the express purpose of

> "providing purchasers with means to perform the Cross heating system",

and had

> "no other use". (R. 919, last paragraph.)

There is no factual basis for the implication that Mercoid is being restrained by the Cross patent from doing what it had a right to do before the Cross invention.

Throughout the pleadings and the trial of the case, Mercoid has taken the position that Mid-Continent and Honeywell were "conspiring" together in doing all the alleged objectionable acts.

The Court below considered all of these facts and found that the conduct of the respondents, Mid-Continent and Honeywell, in respect to the sale of the Honeywell controls, and the suit to restrain the sale of the accused Mercoid control involved "nothing objectionable" (p. 920, bottom)

and nothing which violated the Anti-Trust laws (p. 922, top), and indicated that the conduct complained of was "legitimate and within the scope of the patent" (R. 920) on the ground that Mercoid's accused controls embodied the "advance in the art" sold with a knowledge and intent that it be used for the purpose of contributing to infringement (R. 920), and that the sale of the Honeywell controls under the circumstances was only for the practice of the Cross invention and involved no intent to control anything else (R. 921, last two paragraphs).

The Court below considered the *Carbice*, *Leitch*, *Morton Salt* and *American Lecithin* cases, *supra*. They were all cases where the owner used the patent to prevent the purchase from competitors of unpatented ingredients or parts necessary for the practice of the patented invention.

In each of them relief was denied because the facts showed that the patent was being used primarily to obtain a monopoly not warranted by the patent. Of these cases the Court below said:

> "The facts in those cases are readily distinguishable from those here". (R. 922.)

The Court below also found that the facts were consistent with the ruling of this court

> "in the case of *Leeds & Catlin* v. *Victor*, *supra*, and are so held by the Supreme Court in the *Carbice* and *Leitch* cases, *supra*."

In the *Leeds & Catlin* case, *supra*, this Court approved the patent owner's use of the patent to protect its business in the sale of that which was the essence of the invention,—the "advance over the prior art"—and restrained the sale thereof by the defendant.

The *Leeds & Catlin* case is directly pertinent because *in that case defendant (Petitioner in the Supreme Court) raised the point that it could not be held because the discs*

which it sold were not patented, just as Mercoid does here, and it urged in support of its position—

Morgan Envelope Company v. *Albany Perforated Wrapping Paper Co.*, 152 U. S. 425.

This Court distinguished the facts in the *Leeds & Catlin* case from the facts in the *Envelope* case by saying that in the *Leeds & Catlin* case the accused disc marked the "advance upon the prior art". This Court in the *Carbice* and *Leitch* cases specifically preserved the doctrine of the *Leeds & Catlin* case and distinguished from the *Leeds & Catlin* case because the ingredients controlled by the plaintiffs in the *Carbice* and *Leitch* cases did not mark "the advance over the prior art".

The Court of Appeals below did not disagree with the law laid down by this Court in any of those cases. It expressly disclaimed any disagreement with the *decisions* in the *Leitch* and *Carbice* cases (R. 922). It did find, however, that the *facts* in the present case brought it under the *Leeds & Catlin* case.

The Court below found that there was no attempt to "monopolize an article beyond the bounds of the patent". It therefore follows that the respondents' conduct was directed primarily toward the exploitation of their rights under the patent grant, and proper within the principle of the decision in the *Leeds & Catlin* case (*supra*) (R. 922). Such conduct has consistently been held proper since

Wallace v. *Holmes*, 29 Fed. Cas. No. 17,100; 9 Blatchf. 65 (1871).

The decision of the Court of Appeals below does not conflict with decisions of this Court or other courts.

Second: This Court has in fact passed on the question as it is stated by Mercoid (p. 5, (3)), so that there is no

important question of Federal law which has not been, but should be, settled by this Court.

In the *Leitch* and *Carbice* and *Morton Salt* cases, *supra*, this Court held that it was improper for the owner of a patent to forbid the purchase from competitors of an unpatented part necessary for the practice of the patented invention although it in no wise marked the advance over the prior art, and that such conduct would bar the maintenance of suit for infringement. It is true that this Court in those cases was not called upon to hold that such conduct violates the Anti-Trust laws.

But, that such conduct does violate the Anti-Trust laws was decided by this Court in 1922 in

> *United Shoe Machinery Corp.* v. *U. S.*, 258 U. S. 451.

There the Court found that the owner of the patent forbade

> "the purchase from competitors of an unpatented part necessary for the practice of the patented invention." (Mercoid's Statement, p. 5, (3).)

The forbidding by the defendant in the *Shoe Machinery* case was by means of

> "the supplies clause, which provides that the lessee shall purchase supplies exclusively from the lessor." (258 U. S. 456.)

This Court found the "supplies clause" to violate the Anti-Trust laws.

This Court also gave its answer to the "question" as defined by Mercoid, p. 5, in

> *Ethyl Gasoline Corp.* v. *U. S.*, 309 U. S. 436 at 456.

when it said of the patentee that

> "He may not, by virtue of his patent, condition his license so as to tie to the use of the patented device or process the use of other devices, processes or materials which lie outside of the monopoly of the patent licensed. * * *", (citing the *Carbice*, *Leitch* and other cases),

and held there had been violation of the Anti-Trust laws.

Since the "important question of Federal law" as defined by Mercoid has been passed on and settled by this Court, it is clear that Mercoid has set up no ground for an order for Certiorari.

FOURTH QUESTION.

(Public Question.)

(Validity of Cross Patent.)

Petitioner urges that this Court should order Certiorari to determine the validity of the Cross patent under which Honeywell is exclusive licensee, and which Honeywell is said to be improperly using in violation of the Anti-Trust laws.

The only "important public question" is such as may be imported from the statement that "thousands" (p. 6), or "hundreds of thousands" (p. 30) of stoker users might be sued for infringement.

If this Court should order Certiorari on this ground, it would invite every defeated infringer to come here for relief.

The patent was held valid in

> *Smith* v. *Mid-Continent*, 106 F. 2d, 622 (C. C. A. 8).

Validity became *res adjudicata* between Mid-Continent and Mercoid because the latter defended the case (R. 913).

Mercoid made no attempt to bring the *Smith* case to this Court although the "important public question" existed then as much as it does now.

In the present case validity was not involved because Mercoid "conceded" validity (R. 913, last paragraph).

The respondents had no chance to present evidence to sustain validity.

The Court below expressly found there was no "public interest" justifying it in passing upon validity (R. 918, bottom).

Mercoid's "Fourth Question" in regard to validity not having been raised in this case heretofore, should not be raised for the first time in the Supreme Court.

We respectfully submit there is no ground here for ordering Certiorari.

Respectfully submitted,

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY.

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WILL FREEMAN,
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(Dated: May 21, 1943.)